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August 28, 2002

MaryAnn Manoogian, Director  
Governor's Office of Energy and Community Services  
57 Regional Drive, Suite 3  
Concord, NH 03301-8519

RE: NH State Energy Plan

Dear MaryAnn,

On behalf of the Unitil Companies, I want to thank you for the opportunity to participate in the development of the NH State Energy Plan.

We recognize that it is a difficult task to bring together such a large group of stakeholders, representing a wide array of issues, with the ultimate goal of arriving at a useful and functional final product. We commend the NH Governor's Office of Energy and Community Services for their efforts in this process.

Unitil has been a participant in the public hearings and stakeholder meetings held by your office. We appreciate the opportunity to provide input in the development of the NH State Energy Plan and we were particularly pleased to see the incorporation of a price shock scenario. This will provide a valuable reference point to gauge policy decisions under realistic alternative scenarios.

We look forward to the NH State Energy Plan to be issued in early November 2002. If you need anything else from the Unitil Companies, please do not hesitate to contact me.

Sincerely,

  
George R. Gantz, Senior Vice President  
Communications & Public Affairs

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## memorandum

translated into an approximate 50% increase in the price of electricity. In 2001, we saw a reversal of this trend with input fuel prices collapsing and energy prices reverting to pre-2000 levels.

Given recent political events (e.g., the Middle East), Unitil suggests that one alternative base case should include assessing the impact of an electricity input fuel price shock as outlined above.

### **2) Economic and Policy Shift**

A second alternative base case scenario should incorporate other potential events affecting the NH economy and energy prices. Unitil suggests that other alternative base case scenarios could include some combination of the following:

#### **(a) Changing Demographic Patterns**

A sectoral shift/migration out of the state of NH  
(e.g., an outflow of manufacturing)

#### **(b) Changes in General Economic Conditions**

A national recession/depression  
(e.g., high unemployment and high inflation)

#### **(c) Changes in Federal Policy**

A major policy shift by the federal government  
(e.g., macroeconomic policy, tax changes, energy/environmental policy – examples from the past have included fuel choice preferences & environmental changes)

Unitil believes that the alternative base case scenarios discussed above – Energy Fuel Price Shock & Economic and Policy Shift - will provide NH policymakers with a much broader and more realistic benchmark for assessing future energy policies.

### **ALTERNATIVE POLICY SCENARIOS**

In addition to the alternative base case scenarios, Unitil offers the following five policy alternatives for consideration by GOECS in the development of the ultimate scenario policy runs to be estimated by the consultants.

#### **(a) Rural Energy Supply/Price Stability**

Are there feasible approaches to improving the supply and price stability of energy alternatives in New Hampshire, a mostly rural state highly dependent on oil for heating? Such approaches could include increased renewable fuels,

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reliance on natural gas delivered in the form of electricity, propane or other alternatives.

### **(b) Fuel Diversity in Electric Production**

Examine the environmental/economic impacts of, and alternatives to, natural gas for electricity production over the long term.

### **(c) Energy Efficiency**

With interest rates at historic low levels, is there a structural opportunity to promote long-term capital investments in energy efficiency versus higher energy expense in the future? What will be the result if we are able to reduce market barriers for energy efficiency?

### **(d) Transmission Infrastructure**

There are important planning issues involving regional and in-state coordination; importation across the state vs. delivery within the state, site permitting, etc., that will have a significant impact on future transmission adequacy within the state. As it exists today, there are concerns with the capacity of the state's transmission infrastructure.

### **(e) Distributed Generation**

Can the economic barriers, technical barriers and complexities be resolved (standardized interconnection standards, reliability planning, operating practices) and what would the long-term impact be? This area needs to be seriously addressed - Massachusetts has undertaken a review proceeding on this issue as well.

Once again, Until appreciates the opportunity to provide comments in the development of New Hampshire's 10-Year State Energy Plan.



## memorandum

**To:** NH Governor's Office of Energy and Community Services  
**From:** George Gantz, Senior Vice President of Communications & Public Affairs  
**Date:** 06/27/2002  
**Re:** NH State Energy Plan

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The Unitil Companies (Unitil) appreciate the opportunity to provide comments in the development of New Hampshire's 10-Year State Energy Plan. In response to the New Hampshire Governor's Office of Energy and Community Services (GOECS) request, Unitil is pleased to offer the following comments.

The GOECS has held a number of public hearings and stakeholder meetings in its efforts so far to develop the NH State Energy Plan (NH-SEP). Unitil has been a participant in the public hearings and stakeholder meetings to date, which have included a number of presentations by consultants the GOECS is working with in the development of the NH-SEP.

We have reviewed the base case forecast and example policy simulation prepared by the state's consultants. We recognize and appreciate that this is a very detailed econometric model and the results generated by the model are highly dependent upon, and sensitive to, the assumptions and inputs used in the model. Our view of the base case reference forecast is that it is built on fairly narrow assumptions that, while reasonable and defensible in aggregate, lead to a set of output results that are unrealistic and very unlikely to materialize. A more realistic approach for developing a benchmark for policy analysis should include a few alternative states including some incorporating significant economic impacts. Unitil recognizes that there are many possibilities an econometrician could model to develop a base case forecast. However, we also realize that a wide array of base case forecasts would significantly increase the costs of developing the NH-SEP. In an effort to maintain costs while providing a more-realistic base case state of affairs, Unitil suggests that GOECS consider the following alternative base case forecasts in addition to the reference forecast.

### ALTERNATIVE BASE CASE FORECASTS

#### **1) Energy Fuel Price Shock**

In the year 2000, we witnessed an approximate 100% increase in electricity input fuel prices (e.g., oil, natural gas). This 100% increase in the cost of input fuels